

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 L-03 EB-11 SSO-00 NSCE-00 USIE-00 PA-03

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC IMMEDIATE 5241

C O N F I D E N T I A L PRAGUE 2403

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--PAYMENT SCHEDULES

REF: PRAGUE 2354, 2389

1. AS DISCUSSED IN REFTELS, IT HAS BECOME CLEAR THAT CZECHS WILL NOT CONCLUDE AN AGREEMENT--AT LEAST WITH AN ACCEPTABLE LUMP-SUM PAYMENT--WHICH REQUIRES PAYMENT IN FIVE YEARS, BUT THAT MORE EXTENDED PAYMENT TERMS MAY MAKE AN AGREEMENT AT AN ACCEPTABLE LEVEL POSSIBLE. BRUSHING CZECH RHETORIC ASIDE, IT IS FULLY EVIDENT THAT THEY CONFIDENTLY EXPECTED TO BE OFFERED SAME TWENTY-YEAR TERMS AS APPLIED TO HUNGARIANS AND POLES. WHILE FINANCIAL LOGIC MAY SUGGEST THAT PRESENCE OF OVER 18 TONS OF GOLD IN EQUATION MIGHT AFFECT ANSWER, POLITICAL--AND EMOTIONAL HISTORICAL--REALITIES AS CZECHS SEE THEM RENDER THIS UNFRUITFUL AND EVEN NEGATIVE ARGUMENT.

2. UNLIKE PAYMENT OF SURPLUS PROPOERTY ARREARS, QUESTION OF PAYMENT TERMS DOES NOT INVOLVE DECISION ON OFFICIAL FUNDS, SINCE WE ARE HERE SERVING AS CLAIMANTS' BILL COLLECTOR. ALSO, UNLIKELY LUMP-SUM LEVEL, PAYMENT TERMS (AT ANYTHING UNDER TWENTY YEARS) PRESUMABLY DOES NOT INVOLVE QUESTION OF PRECEDENT ON POLICY. WE UNDERSTAND THAT SIGNIFICANT CLAIMANTS WOULD BE EXTREMELY PLEASED WITH PAYMENT IN LESS THAN TWENTY YEARS. IN ANY
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EVENT, CLAIMANTS' CHOICE MAY BE BETWEEN REPAYMENT DURING PERIOD

LONGER THAN FIVE YEARS AND NO REPAYMENT IF CZECHS REJECT PRESENT TERMS AS THEY HAVE CATEGORICALLY ASSERTED.

3. GIVEN CZECH PROPOSAL WHICH RELATES PAYMENTS TO TRADE EARNINGS (AS WELL AS HUNGARIAN PRECEDENT OF WHICH CZECHS ARE AWARE) TWO POSSIBLE APPROACHES SUGGEST THEMSELVES AS MEANS TO RESOLVE IMPASSE: (1) LEVEL ANNUAL PAYMENTS AT 7-9 PERCENT OF LUMP-SUM (THUS 10-14 YEARS FOLLOWING INITIAL PAYMENT) WITH FIVE PERCENT TRADE CLAUSE SUCH AS IN HUNGARIAN AGREEMENT; (2) GRADUATED ANNUAL PAYMENTS, E.G., \$1.2-\$1.5 MILLION FIRST YEAR INCREASING BY \$100,000 PER YEAR (THUS 9-11 YEARS FOLLOWING INITIAL PAYMENT) WITH SAME FIVE PERCENT TRADE CLAUSE. IN EITHER CASE, CZECHOSLOVAK SALES TO US ABOVE \$40 MILLION ANNUALLY WOULD ASSURE FULL PAYMENT IN UNDER TEN YEARS. GIVEN PROJECTED 1973 SALES TO THE US OF \$36 MILLION AND THE CZECH COMMITMENT TO EXPAND TRADE, THIS SEEMS CONSERVATIVE PREMISE.

3. ABOVE PROPOSAL STILL FALL WELL SHORT OF CZECH EXPECTATIONS AND OF RECENT HUNGARIAN TERMS. SOMEWHAT LOWER MINIMUM PAYMENTS WOULD OBVIOUSLY BE PREFERRED BY CZECHS. HOWEVER, GIVEN CZECHS' OWN ARGUMENT FOR PAYMENTS RELATED TO GROWING SALES TO US, WE HOPE THAT AGREEMENT CAN BE REACHED ALONG LINES HERE PROPOSED.

4. WOULD APPRECIATE EARLY INSTRUCTIONS, PARTICULARLY SINCE WE ARE TREADING WATER IN THEIR ABSENCE.
WORTZEL

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